

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Coon Rapids-Bayard Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2005 Election)		
Mark Thomas	President	2006
Mike Oswald	Vice President	2007
Roger Tapps	Board Member	2005
Jim Schwaller	Board Member	2005
Allen Schroeder	Board Member	2005
Larry Nees	Board Member	2007
Pat McAlister	Board Member	2006

Board of Education

(After September 2005 Election)

Mark Thomas	President	2006
Mike Oswald	Vice President	2007
Pat McAlister	Board Member	2006
Larry Nees	Board Member	2007
Roger Tapps	Board Member	2008
Jim Schwaller	Board Member	2008
Allen Schroeder	Board Member	2008

School Officials

Dennis E. Wentz	Superintendent	2006
Gail Hopkins	District Secretary	2006
Neu Minnich Comito & Neu and Engel Law Firm	District Attorney	2006

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Coon Rapids-Bayard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard Community School District, Coon Rapids, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

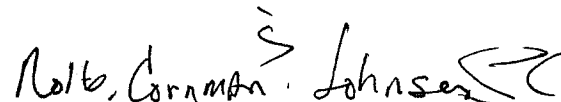
In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2006 on our consideration of Coon Rapids-Bayard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required

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parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Coon Rapids-Bayard Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for year ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

September 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Coon Rapids-Bayard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,112,431 in fiscal year 2005 to \$4,185,560 in fiscal year 2006, while General Fund expenditures increased from \$4,022,523 in fiscal 2005 to \$4,098,932 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$360,513 in fiscal 2005 to \$447,141 in fiscal 2006, a 24% increase from prior year.
- September 2005 Certified Enrollment decreased by 41.8 students; an 8.6% decrease compared to the prior year.
- The School Nutrition fund balance decreased 9.1%, or \$2,356, due to an increase in expenses during the year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Coon Rapids-Bayard Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Coon Rapids-Bayard Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Coon Rapids-Bayard Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Coon Rapids-Bayard Community School District Annual Financial Report

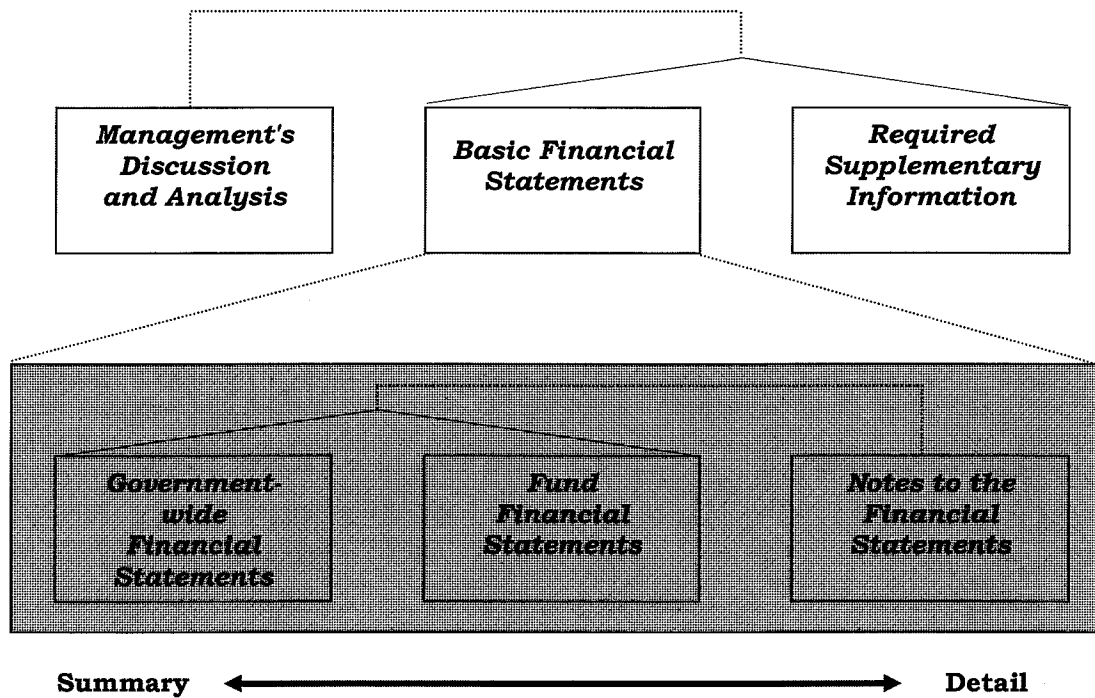


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 3,314,714	3,622,689	23,096	22,563	3,337,810	3,645,252	-8.43%
Capital assets	3,509,250	3,494,150	12,601	13,987	3,521,851	3,508,137	0.39%
Total assets	6,823,964	7,116,839	35,697	36,550	6,859,661	7,153,389	-4.11%
Long-term obligations	999,156	1,139,069	0	0	999,156	1,139,069	-12.28%
Other liabilities	2,618,714	3,005,058	12,241	10,738	2,630,955	3,015,796	-12.76%
Total liabilities	3,617,870	4,144,127	12,241	10,738	3,630,111	4,154,865	-12.63%
Net assets:							
Invested in capital assets, net of related debt	2,576,310	2,414,614	12,601	13,987	2,588,911	2,428,601	6.60%
Restricted	148,728	169,339	0	0	148,728	169,339	-12.17%
Unrestricted	481,056	388,759	10,855	11,825	491,911	400,584	22.80%
Total net assets	\$ 3,206,094	2,972,712	23,456	25,812	3,229,550	2,998,524	7.70%

The District's combined net assets increased by 7.7% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 12.17% over the prior year. The decrease was primarily a result of the increase of expenses in the Capital Projects Fund.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased 22.8% over the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 195,957	302,509	107,771	111,482	303,728	413,991	-26.63%
Operating grants and contributions and restricted interest	555,716	527,555	109,911	107,437	665,627	634,992	4.82%
General revenues:							
Property tax	1,781,356	1,896,431	0	0	1,781,356	1,896,431	-6.07%
Local option sales and service tax	144,224	13,710	0	0	144,224	13,710	0.00%
Unrestricted state grants	2,026,500	1,806,775	0	0	2,026,500	1,806,775	12.16%
Other	114,329	108,010	131	90	114,460	108,100	5.88%
Total revenues	4,818,082	4,654,990	217,813	219,009	5,035,895	4,873,999	3.32%
Program expenses:							
Governmental activities:							
Instructional	2,957,172	2,871,264	0	0	2,957,172	2,871,264	2.99%
Support services	1,284,903	1,244,725	0	0	1,284,903	1,244,725	3.23%
Non-instructional programs	0	0	220,169	212,786	220,169	212,786	3.47%
Other expenses	342,625	410,804	0	0	342,625	410,804	-16.60%
Total expenses	4,584,700	4,526,793	220,169	212,786	4,804,869	4,739,579	1.38%
Change in net assets	233,382	128,197	(2,356)	6,223	231,026	134,420	71.87%
Net assets beginning of year	2,972,712	2,844,515	25,812	19,589	2,998,524	2,864,104	4.69%
Net assets end of year	\$ 3,206,094	2,972,712	23,456	25,812	3,229,550	2,998,524	7.70%

In fiscal 2006, property tax and unrestricted state grants account for 79% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$5 million of which \$4.8 million was for governmental activities and \$.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.32% increase in revenues and a 1.38% increase in expenses. The increase in expenses was related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$4,818,082 and expenses were \$4,584,700.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,957,172	2,352,742
Support services	1,284,903	1,284,903
Other expenses	342,625	195,382
Totals	<u>\$ 4,584,700</u>	<u>3,833,027</u>

- The cost financed by users of the District's programs was \$195,957.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$555,716.
- The net cost of governmental activities was financed with \$1,781,356 in property tax, \$144,224 in local option sales and services tax, \$2,026,500 in unrestricted state revenues and \$67,526 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$217,813 and expenses were \$220,169. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Coon Rapids-Bayard Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$622,151, above last year's ending fund balances of \$544,204. However, the primary reason for the increase is due to the controlled spending by the District in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position changed from \$360,513 to \$447,141. This was due to the controlled spending by the District. Expenditure for the year only increased \$76,409, while revenues increased \$73,129.
- The District continued receiving local option sales and service tax from Audubon and Greene County and is now receiving from Guthrie and Carroll Counties. An increase in construction expenditures resulted in the Capital Projects Fund having an ending fund balance of \$4,494.
- The Special Revenue, Physical Plant and Equipment Levy Fund balance increased to \$19,810 from the prior year. This is the result of a decrease in expenditures for the year.

Proprietary Funds Highlights

The School Nutrition Fund net assets decreased from \$25,812 at June 30, 2005 to \$23,456 at June 30, 2006, representing a decrease of 9%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$105,131 more than budgeted revenues, a variance of 2.1%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$3.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$171,728.

The original cost of the District's capital assets was \$6,548,292. Governmental funds account for \$6,502,514 with the remainder of \$45,778 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$104,866 at June 30, 2006 compared to \$148,026 the prior year. The decrease was the result of the depreciation taken on the machinery and equipment during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 162,873	162,873	0	0	162,873	162,873	0.00%
Buildings	2,791,627	2,871,629	0	0	2,791,627	2,871,629	-2.87%
Improvements other than buildings	462,485	325,609	0	0	462,485	325,609	29.60%
Machinery and equipment	92,265	134,039	12,601	13,987	104,866	148,026	-41.16%
Total	\$ 3,509,250	3,494,150	12,601	13,987	3,521,851	3,508,137	0.39%

Long-Term Debt

At June 30, 2006, the District had \$999,156 in other long-term debt outstanding. This represents a decrease of 12.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

At year-end, the District had total capital loan notes payable from the Special Revenue, Physical Plant and Equipment Levy of \$950,000.

The District had total outstanding early retirement payable from the Special Revenue, Management Fund of \$11,097 at June 30, 2006.

Compensated absences decreased 2% from the prior year to an ending balance of \$38,059.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30, 2006	2005	June 30, 2005-06
Capital loan notes	\$ 950,000	1,085,000	-12.4%
Early retirement	11,097	15,217	-27.1%
Compensated absences	38,059	38,852	-2.0%
Totals	\$ 999,156	1,139,069	-12.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of Audubon and Greene County passed the Local Option Sales and Services in 2004. This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings, purchasing equipment and debt repayment.
- In September 2005, the final two counties, Carroll and Guthrie, passed the local option sales and services tax effective January 1, 2006 for a ten year period.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gail Hopkins, District Board Secretary, Coon Rapids-Bayard Community School District, 906 North Street, P.O. Box 297, Coon Rapids, Iowa, 50068-0297.

BASIC FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments			
ISCAP (Note 4)	\$ 389,458	0	389,458
Other	1,026,237	21,680	1,047,917
Receivables:			
Property tax:			
Delinquent	28,676	0	28,676
Succeeding year	1,710,183	0	1,710,183
Income surtax	77,224	0	77,224
Accounts	3,868	0	3,868
Accrued interest:			
ISCAP (Note 4)	121	0	121
Due from other governments	78,947	0	78,947
Inventories	0	1,416	1,416
Capital assets, net of accumulated depreciation (Note 5)	3,509,250	12,601	3,521,851
Total Assets	6,823,964	35,697	6,859,661
Liabilities			
Accounts payable	150,186	0	150,186
Salaries and benefits payable	361,903	8,724	370,627
Accrued interest payable	3,375	0	3,375
ISCAP warrants payable (Note 4)	390,000	0	390,000
ISCAP accrued interest payable (Note 4)	99	0	99
ISCAP premiums payable	2,968	0	2,968
Deferred revenue:			
Succeeding year property tax	1,710,183	0	1,710,183
Unearned revenue	0	3,517	3,517
Long-term liabilities (Note 6):			
Portion due within one year:			
Capital loan notes payable	140,000	0	140,000
Early retirement payable	11,097	0	11,097
Compensated absences payable	38,059	0	38,059
Portion due after one year:			
Capital loan notes payable	810,000	0	810,000
Total Liabilities	3,617,870	12,241	3,630,111
Net Assets			
Investment in capital assets, net of related debt	2,576,310	12,601	2,588,911
Restricted for:			
Salary improvement program	5,250	0	5,250
Management levy	56,964	0	56,964
Capital projects	4,494	0	4,494
Other special revenue purposes	82,020	0	82,020
Unrestricted	481,056	10,855	491,911
Total Net Assets	\$ 3,206,094	23,456	3,229,550

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,907,025	9,482	379,972	(1,517,571)	0	(1,517,571)
Special instruction	585,131	2,912	28,501	(553,718)	0	(553,718)
Other instruction	465,016	183,563	0	(281,453)	0	(281,453)
	<u>2,957,172</u>	<u>195,957</u>	<u>408,473</u>	<u>(2,352,742)</u>	<u>0</u>	<u>(2,352,742)</u>
Support services:						
Student services	98,707	0	0	(98,707)	0	(98,707)
Instructional staff services	113,589	0	0	(113,589)	0	(113,589)
Administration services	515,935	0	0	(515,935)	0	(515,935)
Operation and maintenance of plant services	370,249	0	0	(370,249)	0	(370,249)
Transportation services	186,423	0	0	(186,423)	0	(186,423)
	<u>1,284,903</u>	<u>0</u>	<u>0</u>	<u>(1,284,903)</u>	<u>0</u>	<u>(1,284,903)</u>
Other expenditures:						
Facilities acquisitions	21,041	0	0	(21,041)	0	(21,041)
Long-term debt interest	45,141	0	0	(45,141)	0	(45,141)
AEA flowthrough	147,243	0	147,243	0	0	0
Depreciation(unallocated)*	129,200	0	0	(129,200)	0	(129,200)
	<u>342,625</u>	<u>0</u>	<u>147,243</u>	<u>(195,382)</u>	<u>0</u>	<u>(195,382)</u>
Total governmental activities	4,584,700	195,957	555,716	(3,833,027)	0	(3,833,027)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	220,169	107,771	109,911	0	(2,487)	(2,487)
Total business-type activities	<u>220,169</u>	<u>107,771</u>	<u>109,911</u>	<u>0</u>	<u>(2,487)</u>	<u>(2,487)</u>
Total	<u>\$ 4,804,869</u>	<u>303,728</u>	<u>665,627</u>	<u>(3,833,027)</u>	<u>(2,487)</u>	<u>(3,835,514)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,560,129	0	1,560,129
Capital outlay				221,227	0	221,227
Local option sales and services tax				144,224	0	144,224
Unrestricted state grants				2,026,500	0	2,026,500
Unrestricted investment earnings				67,526	131	67,657
Other				46,803	0	46,803
Total general revenues				<u>4,066,409</u>	<u>131</u>	<u>4,066,540</u>
Changes in net assets				233,382	(2,356)	231,026
Net assets beginning of year				<u>2,972,712</u>	<u>25,812</u>	<u>2,998,524</u>
Net assets end of year				<u>\$ 3,206,094</u>	<u>23,456</u>	<u>3,229,550</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP (Note 4)	\$ 389,458	0	0	389,458
Other	772,775	82,702	170,760	1,026,237
Receivables:				
Property tax				
Delinquent	24,193	0	4,483	28,676
Succeeding year	1,415,918	0	294,265	1,710,183
Income surtax	77,224	0	0	77,224
Accounts	1,464	0	2,404	3,868
Accrued interest:				
ISCAP (Note 4)	121	0	0	121
Due from other governments	28,771	50,176	0	78,947
Total Assets	\$ 2,709,924	132,878	471,912	3,314,714
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 14,671	128,384	7,131	150,186
Salaries and benefits payable	361,903	0	0	361,903
ISCAP warrants payable (Note 4)	390,000	0	0	390,000
ISCAP accrued interest payable (Note 4)	99	0	0	99
ISCAP premiums payable	2,968	0	0	2,968
Deferred revenue:				
Succeeding year property tax	1,415,918	0	294,265	1,710,183
Income surtax	77,224	0	0	77,224
Total liabilities	2,262,783	128,384	301,396	2,692,563
Fund balances:				
Reserved for:				
Salary improvement program	5,250	0	0	5,250
Debt service	0	0	625	625
Unreserved	441,891	4,494	169,891	616,276
Total fund balances	447,141	4,494	170,516	622,151
Total Liabilities and Fund Balances	\$ 2,709,924	132,878	471,912	3,314,714

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 622,151
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	3,509,250
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	77,224
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,375)
Long-term liabilities, including note payable, early retirement payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(999,156)
Net assets of governmental activites (page 13)	<u><u>\$ 3,206,094</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,490,045	144,224	291,311	1,925,580
Tuition	12,394	0	0	12,394
Other	135,005	757	195,317	331,079
State sources	2,375,288	0	213	2,375,501
Federal sources	172,828	0	0	172,828
Total revenues	4,185,560	144,981	486,841	4,817,382
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,852,448	0	33,863	1,886,311
Special instruction	581,907	0	3,224	585,131
Other instruction	284,322	0	173,583	457,905
	2,718,677	0	210,670	2,929,347
Support services:				
Student services	98,707	0	0	98,707
Instructional staff services	116,982	0	0	116,982
Administration services	500,579	0	15,356	515,935
Operation and maintenance of plant services	346,863	0	22,499	369,362
Transportation services	169,881	0	8,173	178,054
	1,233,012	0	46,028	1,279,040
Other expenditures:				
Facilities acquisitions	0	154,272	49,670	203,942
Long-term debt:				
Principal	0	0	135,000	135,000
Interest	0	0	45,563	45,563
AEA flowthrough	147,243	0	0	147,243
	147,243	154,272	230,233	531,748
Total expenditures	4,098,932	154,272	486,931	4,740,135
Excess(deficiency) of revenues over (under) expenditures	86,628	(9,291)	(90)	77,247
Other financing sources(uses):				
Transfer in	0	0	196,119	196,119
Transfer out	0	0	(196,119)	(196,119)
Compensation for loss of fixed assets	0	0	700	700
Total other financing sources(uses)	0	0	700	700
Net change in fund balances	86,628	(9,291)	610	77,947
Fund balance beginning of year	360,513	13,785	169,906	544,204
Fund balance end of year	\$ 447,141	4,494	170,516	622,151

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ 77,947

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital expenditures in the current year, as follows:

Capital expenditures	\$ 182,901	
Depreciation expense	(167,801)	15,100

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ 4,120	
Compensated absences	793	4,913

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

135,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

422

Changes in net assets of governmental activities (page 14)

\$ 233,382

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
Assets	
Current assets:	
Cash and pooled investments	\$ 21,680
Inventories	1,416
Capital assets, net of accumulated depreciation (Note 5)	<u>12,601</u>
Total Assets	<u>35,697</u>
Liabilities	
Salary and benefits payable	8,724
Unearned revenue	<u>3,517</u>
Total Liabilities	<u>12,241</u>
Net Assets	
Investment in capital assets, net of related debt	12,601
Unrestricted	<u>10,855</u>
Total Net Assets	<u><u>\$ 23,456</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for service	<u>\$ 107,771</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	74,530
Benefits	16,389
Services	1,925
Supplies	123,398
Depreciation	<u>3,927</u>
TOTAL OPERATING EXPENSES	<u>220,169</u>
OPERATING LOSS	<u>(112,398)</u>
NON-OPERATING REVENUES:	
State sources	3,000
Federal sources	106,911
Interest income	<u>131</u>
TOTAL NON-OPERATING REVENUES	<u>110,042</u>
Changes in net assets	(2,356)
Net assets beginning of year	<u>25,812</u>
Net assets end of year	<u><u>\$ 23,456</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT I

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 101,888
Cash received from miscellaneous operating activities	6,639
Cash payments to employees for services	(90,172)
Cash payments to suppliers for goods or services	(115,101)
Net cash used in operating activities	<u>(96,746)</u>
Cash flows from non-capital financing activities:	
State grants received	3,000
Federal grants received	96,823
Net cash provided by non-capital financing activities	<u>99,823</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(2,541)</u>
Cash flows from investing activities:	
Interest on investment	<u>131</u>
Net increase in cash and cash equivalents	667
Cash and cash equivalents at beginning of year	<u>21,013</u>
Cash and cash equivalents at end of year	<u><u>\$ 21,680</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (112,398)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	10,088
Depreciation	3,927
Decrease in inventories	134
Increase in salaries and benefits payable	747
Increase in unearned revenue	756
Net cash used in operating activities	<u><u>\$ (96,746)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and investments	<u><u>\$ 21,680</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$10,088.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 3,024</u>
Liabilities	
Due to other groups	<u>\$ 3,024</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Coon Rapids-Bayard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Coon Rapids and Bayard, Iowa, and the predominate agricultural territory in a portion of Audubon, Carroll, Greene and Guthrie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Coon Rapids-Bayard Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Coon Rapids-Bayard Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Audubon, Carroll, Greene and Guthrie County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period

or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006 expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's has no investments as of June 30, 2006.

(3) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Physical Plant	
	and Equipment Levy	\$ 180,963
Special Revenue:	Special Revenue:	
Physical Plant	Student Activity	15,156
and Equipment Levy		<u>\$ 196,119</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 389,458	121	390,000	99

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn,

then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A	\$ 0	357,000	357,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.900%
2006-07A	4.500%	5.676%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 162,873	0	0	162,873
Total capital assets not being depreciated	162,873	0	0	162,873
Capital assets being depreciated:				
Buildings	6,112,067	11,885	1,220,613	4,903,339
Land improvements	511,783	171,016	0	682,799
Machinery and equipment	753,503	0	0	753,503
Total capital assets being depreciated	7,377,353	182,901	1,220,613	6,339,641
Less accumulated depreciation for:				
Buildings	3,240,438	91,887	1,220,613	2,111,712
Land improvements	186,174	34,140	0	220,314
Machinery and equipment	619,464	41,774	0	661,238
Total accumulated depreciation	4,046,076	167,801	1,220,613	2,993,264
Total capital assets being depreciated, net	3,331,277	15,100	0	3,346,377
Governmental activities capital assets, net	\$ 3,494,150	15,100	0	3,509,250
Business-type activities:				
Machinery and equipment	\$ 43,237	2,541	0	45,778
Less accumulated depreciation	29,250	3,927	0	33,177
Business-type activities capital assets, net	\$ 13,987	(1,386)	0	12,601

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 25,137
Other		7,111
Support services:		
Operation and maintenance of plant		887
Transportation		5,466
		<u>38,601</u>
Unallocated depreciation		<u>129,200</u>
Total governmental activities depreciation expense		<u>\$ 167,801</u>
Business-type activities:		
Food services		<u>\$ 3,927</u>

(6) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan notes	\$ 1,085,000	0	135,000	950,000	140,000
Early retirement	15,217	11,097	15,217	11,097	11,097
Compensated absences	38,852	38,059	38,852	38,059	38,059
Total	<u>\$ 1,139,069</u>	<u>49,156</u>	<u>189,069</u>	<u>999,156</u>	<u>189,156</u>

Capital Loan Notes Payable

The District issued \$400,000 of capital loan notes during the year ended June 30, 2000, for a fitness center and issued \$1,240,000 of capital loan notes during the year ended June 30, 2002 to finance a construction project. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	4.00 %	\$ 140,000	40,500	180,500
2008	4.10	145,000	34,900	179,900
2009	4.20	160,000	28,955	188,955
2010	4.30	160,000	22,235	182,235
2011	4.40	170,000	15,355	185,355
2012	4.50	175,000	7,875	182,875
Total		<u>\$ 950,000</u>	<u>149,820</u>	<u>1,099,820</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of credited service, at least ten years of which have been in the employment of Coon Rapids-Bayard Community School District. Employees must complete an application which is subject to be approval by the Board of Education. Early retirement incentives are based on the

certified employee's salary schedule payment for the last year of service and the number of years of credited services. Early retirement benefits paid during the year ended June 30, 2006, totaled \$15,217. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$145,738, \$136,726 and \$136,591 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$147,243 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the other expenditures functional area exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,269,053	107,902	2,376,955	2,271,130	2,271,130	105,825
Intermediate sources	0	0	0	7,000	7,000	(7,000)
State sources	2,375,501	3,000	2,378,501	2,381,934	2,381,934	(3,433)
Federal sources	172,828	106,911	279,739	270,000	270,000	9,739
Total revenues	4,817,382	217,813	5,035,195	4,930,064	4,930,064	105,131
Expenditures:						
Instruction	2,929,347	0	2,929,347	3,547,935	3,547,935	618,588
Support services	1,279,040	0	1,279,040	1,385,000	1,385,000	105,960
Non-instructional programs	0	220,169	220,169	252,979	252,979	32,810
Other expenditures	531,748	0	531,748	428,561	428,561	(103,187)
Total expenditures	4,740,135	220,169	4,960,304	5,614,475	5,614,475	654,171
Excess(deficiency) of revenues over(under) expenditures	77,247	(2,356)	74,891	(684,411)	(684,411)	759,302
Other financing sources, net	700	0	700	0	0	700
Excess(deficiency) of revenues and other financing sources over(under) expenditures	77,947	(2,356)	75,591	(684,411)	(684,411)	760,002
Balance beginning of year	544,204	25,812	570,016	684,411	684,411	(114,395)
Balance end of year	\$ 622,151	23,456	645,607	0	0	645,607

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	Total Special Revenue	Debt Service	
Assets						
Cash and pooled investments	\$ 66,855	19,388	83,892	170,135	625	170,760
Receivables:						
Property tax:						
Current year delinquent	1,206	3,277	0	4,483	0	4,483
Succeeding year	70,000	224,265	0	294,265	0	294,265
Accounts	0	0	2,404	2,404	0	2,404
Total Assets	\$ 138,061	246,930	86,296	471,287	625	471,912
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 0	2,855	4,276	7,131	0	7,131
Deferred revenue:						
Succeeding year property tax	70,000	224,265	0	294,265	0	294,265
	70,000	227,120	4,276	301,396	0	301,396
Fund balances:						
Reserved:						
Debt service	0	0	0	0	625	625
Unreserved	68,061	19,810	82,020	169,891	0	169,891
Total fund balances	68,061	19,810	82,020	169,891	625	170,516
Total Liabilities and Fund Balances	\$ 138,061	246,930	86,296	471,287	625	471,912

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Special Revenue Funds				Total	
	Physical	Total			Other	
	Manage- Plant and	Special		Debt	Nonmajor	
	ment Levy	Equipment Levy	Student Activity	Revenue Funds	Service	Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 70,084	221,227	0	291,311	0	291,311
Other	4,868	4,112	185,881	194,861	456	195,317
State sources	57	156	0	213	0	213
TOTAL REVENUES	75,009	225,495	185,881	486,385	456	486,841
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	33,863	0	0	33,863	0	33,863
Special instruction	3,224	0	0	3,224	0	3,224
Other instruction	860	0	172,723	173,583	0	173,583
Support services:						
Administration services	14,956	0	0	14,956	400	15,356
Operation and maintenance of plant services	22,499	0	0	22,499	0	22,499
Transportation services	8,173	0	0	8,173	0	8,173
Other expenditures:						
Facilities acquisitions	0	49,670	0	49,670	0	49,670
Long-term debt:						
Principal	0	0	0	0	135,000	135,000
Interest and fiscal charges	0	0	0	0	45,563	45,563
TOTAL EXPENDITURES	83,575	49,670	172,723	305,968	180,963	486,931
Excess(deficiency) of revenues over(under) expenditures	(8,566)	175,825	13,158	180,417	(180,507)	(90)
OTHER FINANCING SOURCES(USES):						
Transfer in	0	15,156	0	15,156	180,963	196,119
Transfer out	0	(180,963)	(15,156)	(196,119)	0	(196,119)
Compensation for loss of fixed assets	0	700	0	700	0	700
TOTAL OTHER FINANCING SOURCES(USES)	0	(165,107)	(15,156)	(180,263)	180,963	700
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(8,566)	10,718	(1,998)	154	456	610
FUND BALANCES BEGINNING OF YEAR	76,627	9,092	84,018	169,737	169	169,906
FUND BALANCES END OF YEAR	\$ 68,061	19,810	82,020	169,891	625	170,516

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Co-Ed athletics	\$ 7,252	48,261	54,533	980
Interest on investments	13,915	5,926	13,966	5,875
RIF club	718	1,175	233	1,660
Technology club	132	0	(30)	162
Elementary club	3,680	1,304	286	4,698
MS track	0	889	843	46
MS girls basketball	0	370	0	370
MS cheerleaders	80	0	(19)	99
MS concessions	1,624	0	(92)	1,716
MS club	830	1,570	915	1,485
MS student council	177	195	35	337
Drama and speech	2,054	1,670	1,266	2,458
Cross country	33	497	490	40
Boys basketball	0	5,808	5,460	348
Football	1,446	2,579	2,619	1,406
Boys track	182	1,475	1,368	289
Boys golf	81	0	128	(47)
Wrestling club	3,690	4,037	4,297	3,430
Wrestling	127	270	738	(341)
Girls basketball	1	4,035	3,579	457
Girls volleyball	386	5,229	4,908	707
Girls golf	220	626	129	717
Softball	0	4,273	3,551	722
Baseball	9,657	10,737	20,015	379
Art club	623	0	(146)	769
Pepsi products	4,031	14,563	13,856	4,738
Cheerleaders	0	3,657	2,745	912
Concessions	372	13,813	12,572	1,613
FFA	3,733	23,029	21,757	5,005
FCCLA	450	30	(24)	504
FCA	5	0	0	5
YSO	101	0	(23)	124
National honor society	36	110	94	52
Class of 2003	263	0	263	0
Class of 2004	4	0	4	0
Class of 2005	1,355	18	669	704
Class of 2006	426	1,705	789	1,342
Class of 2007	2,364	7,865	7,811	2,418
Class of 2008	0	3,030	1,678	1,352
Class of 2009	0	135	76	59
Student agendas	113	269	166	216
Sign fund	2,603	395	(629)	3,627
Spanish club	9,750	0	(2,072)	11,822
Student council	2,825	8,926	6,187	5,564
Band trip	2,311	0	(541)	2,852
Yearbook	6,095	5,812	2,423	9,484
Phone card	173	25	0	198
Flags/winterguard	100	1,573	1,006	667
Total	\$ 84,018	185,881	187,879	82,020

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 1,925,580	1,915,144	1,918,584	1,867,173
Tuition	12,394	20,427	18,031	36,885
Other	331,079	316,508	325,357	263,571
Intermediate sources	0	0	6,492	6,492
State sources	2,375,501	2,131,334	1,960,238	2,043,338
Federal sources	172,828	202,996	328,065	268,646
Total	<u>\$ 4,817,382</u>	<u>4,586,409</u>	<u>4,556,767</u>	<u>4,486,105</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,886,311	1,858,393	1,741,905	1,756,303
Special instruction	585,131	447,281	655,031	599,485
Other instruction	457,905	545,605	438,463	469,666
Support services:				
Student services	98,707	150,235	122,554	128,680
Instructional staff services	116,982	129,518	146,768	157,872
Administration services	515,935	474,805	436,758	426,683
Operation and maintenance of plant services	369,362	354,057	358,371	419,585
Transportation services	178,054	155,619	160,239	170,763
Non-instructional programs	0	2,570	0	0
Other expenditures:				
Facilities acquisition	203,942	124,560	293,538	1,416,938
Long-term debt:				
Principal	135,000	130,000	125,000	115,000
Interest	45,563	51,925	56,838	65,660
AEA flowthrough	147,243	143,502	145,759	158,147
Total	<u>\$ 4,740,135</u>	<u>4,568,070</u>	<u>4,681,224</u>	<u>5,884,782</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Coon Rapids-Bayard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coon Rapids-Bayard Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coon Rapids-Bayard Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

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immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Coon Rapids-Bayard Community School District and other parties to Coon Rapids-Bayard Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Coon Rapids-Bayard Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

September 29, 2006

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Segregation of duties will be reviewed and modifications made, if possible.

Conclusion - Response accepted.

- I-B-06 Student Activity Fund Accounts - We noted during our audit that the District had balances left in the interest and old class accounts.

Recommendation - Interest should be allocated out among the Student Activity accounts at year end. Upon graduation, class account should be closed out after a reasonable amount of time has lapsed to cover any expenditures that might come in after year end.

Response - We have begun implementing this recommendation.

Conclusion - Response accepted.

- I-C-06 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - We began this practice as soon as it was recommended.

Conclusion - Response accepted.

- I-D-06 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - The outstanding checks have been addressed and taken care of. This will be reviewed every year.

Conclusion - Response accepted.

I-E-06 Deposits Slips - We noted during our audit instances of deposit slips which lacked detail support for what was deposited into the bank.

Recommendation - The District should improve the detail on the deposit slips to show which receipts make up the deposits.

Response - This was implemented as soon as it was suggested.

Conclusion - Response accepted.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District expenditure for the year ended June 30, 2006 exceeded the amount budgeted in the other expenditures functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will monitor the certified budget expenses more closely to make sure the certified budget is not exceeded in the future, or if needed, is amend in a timely manner.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kevin Reis, Coach Owns Reis Lawncare	Purchased services	\$7,099
Jon Esdohr, Coach	Purchased services	\$264

In accordance with Attorney General's Opinion dated July 2, 1990 the above transactions with the District employees does not appear to represent a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.